

COMMITTEE ON LEGISLATIVE RESEARCH  
 OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3932-05  
Bill No.: Perfected HCS for HB 1717  
Subject: Health Care; Health Care Professionals; Nursing and Boarding Homes  
Type: #Corrected  
Date: April 23, 2002  
 # To use corrected agency information.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
#General Revenue	\$178,832	\$233,118	\$286,512
<b>#Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>\$178,832</b>	<b>\$233,118</b>	<b>\$286,512</b>

**#\* Revenues and savings exceeding \$284,000 annually netted against costs.**

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds**</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\*\* Revenues and expenditures exceed \$100,000 annually and net to \$0.**

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

**FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** stated they believe at least one additional Health Planning Specialist (HPS) would be required to handle the increased workload associated with the additional acute care applications which would become reviewable. The workload will also increase due to the new notification and exemption process.

This HPS would be responsible for reviewing applications and requests for exemptions; he/she would also be responsible for processing notification projects, conducting investigations, and followup. The salary (including fringe) for the first fiscal year would be \$45,365. No additional equipment or furniture would be required.

# The expenditure minimum for renovation/replacement projects has been increased from \$10 million to \$20 million. Based on a review of the projects which were submitted from 1999 through 2002, we project that, as a result of the higher expenditure minimum, the amount of application fees would be reduced to an average of \$182,257 annually. A 5% increase is projected for each year thereafter.

Officials from the **Department of Economic Development - Division of Professional Registration, Department of Corrections, Department of Mental Health, and Office of State Courts Administrator** assume the proposed legislation will not fiscally impact their organizations.

Officials from the **Office of the Secretary of State (SOS)** state this bill revises the certificate of need law. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Health and Senior Services could require as many as 30 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$1,845 [(30 pp x \$27) + (45 pp x \$23)].

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

### ASSUMPTION (continued)

Officials from the **Department of Social Services - Division of Medical Services (DMS)** stated

that changing the dollar cap on reviewable projects from \$1 million to \$20 million could have an impact on the DMS. However, it is believed the impact would be a minimal savings.

Under current regulations, a facility must have a Certificate Of Need (CON) in order to request a rate adjustment. Increasing the threshold from \$1 million to \$20 million will reduce the number of projects that qualify for a rate adjustment thus reducing rate requests. However, a review of the rate requests received in the last two calendar years showed only six rate requests were under \$20 million. The rate adjustment allows a hospital to receive rate relief for a capital expenditure earlier than waiting for the cost report rebase that includes the capital expenditure. The delay from a rate adjustment cost to cost report rebase averages three years. The cost to the DMS for these six requests over a two year period would be \$237,877 annually. One-half of this amount, \$118,989 is an average annual cost for rate adjustments for capital expenditures between \$1 million and \$20 million for the first year and this same amount would be saved again in the next year.

Officials from the **Office of Attorney General (AGO)** did not respond to our request for a statement of fiscal impact. However, in response to similar legislation, the AGO assumed any costs associated with the proposed legislation would be absorbable within current resources.

Officials from the **Missouri Ethics Commission (MEC)** did not respond to our request for a statement of fiscal impact. However, in response to similar legislation, the MEC assumed the proposed legislation would have no fiscal impact to their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>GENERAL REVENUE FUND</b>			
<u>Income - Missouri Health Facilities Review Committee</u>			
#Additional Application Fees	<u>\$182,257</u>	<u>\$192,370</u>	<u>\$200,938</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Total <u>Income</u> - Missouri Health Facilities Review Committee	<u>\$182,257</u>	<u>\$192,370</u>	<u>\$200,938</u>
<u>Savings - Department of Social Services - Division of Medical Services</u>			
Reduced Rate Adjustment Requests	<u>\$38,427</u>	<u>\$92,225</u>	<u>\$138,338</u>
Total <u>Savings</u> - Department of Social Services	<u>\$38,427</u>	<u>\$92,225</u>	<u>\$138,338</u>
<u>Costs - Missouri Health Facilities Review Committee</u>			
Personal Service Costs (1 FTE)	(\$30,771)	(\$37,848)	(\$38,794)
Fringe Benefits	(\$11,081)	(\$13,629)	(\$13,970)
Total <u>Costs</u> - Missouri Health Facilities Review Committee	(\$41,852)	(\$51,477)	(\$52,764)
<b>#ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$178,832</u></b>	<b><u>\$233,118</u></b>	<b><u>\$286,512</u></b>

#### **FEDERAL FUNDS**

<u>Savings - Department of Social Services - Division of Medical Services</u>			
Reduced Rate Adjustment Payments	\$60,689	\$145,652	\$218,478
<u>Loss - Department of Social Services - Division of Medical Services</u>			
Reduced Reimbursements for Rate Adjustments	(\$60,689)	(\$145,652)	(\$218,478)

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

#### DESCRIPTION

This proposal makes numerous changes and additions to the Missouri Certificate of Need Law. The substitute: (1) Requires that the Director of the Department of Health and Senior Services hire and supervise the clerical and administrative support staff of the Health Facilities Review Committee; (2) Adds long-term care beds in specified hospitals and certain long-term care hospitals to the definition of "health care review facilities"; (3) Sets forth certain requirements for the committee in the review certification process. The requirements involve notifying applicants for review certification, conducting public hearings, issuing written findings, and reviewing specified issues when determining whether to grant certification; (4) Requires individuals who propose the development of a new institutional acute care service or first-time service to submit a letter of intent to the committee 30 days before filing an application and requires that an application fee be paid for each application for review certification; (5) Allows an applicant to file an appeal within 30 days of the committee's decision and for the appeal to be heard de novo by the administrative hearing commissioner. It also establishes the venue for subsequent appeals; (6) Requires individuals who propose to develop or offer a new institutional acute care service or who propose a first-time service to obtain a review certification from the committee prior to offering these services; (7) Requires that a review certification be obtained when there is a proposal to add new beds to an existing hospital; (8) Requires review certification for the renovation or replacement of a current location when the cost is more than \$20 million; (9) Requires the committee's consent for project cost increases in excess of 10% over the initial estimate; (10) Requires applicants who have been granted a review certification to provide periodic reports to the committee until the project is completed; (11) Requires acute care facilities to have a review certification in order to be licensed by the state or to receive grants or appropriated funds; (12) Allows skilled nursing facilities to be authorized to receive Medicaid reimbursement on behalf of residents who have resided in the facility for 90 days before becoming eligible for Medicaid; (14) Provides that no member of the Missouri health facilities review committee may accept a political donation from an applicant who applies for a certificate of need or review certification of one year after granting the request or for six months prior to the request. If a member accepts a donation six months prior to the request, it must be returned within ten business days of the filing request made by the applicant, and (14) Removes the sunset provision from certificate of need laws.

#### ASSUMPTION (continued)

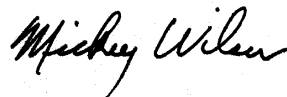
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Missouri Health Facilities Review Committee  
Department of Economic Development - Division of Professional Registration  
Office of Secretary of State  
Office of State Courts Administrator

Department of Mental Health  
Department of Social Services - Division of Medical Services  
Department of Corrections

**NOT RESPONDING: Missouri Ethics Commission and Office of Attorney General**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Acting Director  
April 23, 2002